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AUDIT
OF THE ADEQUACY OF RESOURCES
OF FOOD FOR THE HUNGRY INTERNATIONAL
IN BOLIVIA - PUBLIC LAW 480, TITLE II

Audit Report No. 1-511-87-22-N
May 18, 1987

AGENCY FOR INTERNATIONAL DEVELOPMENT

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May 18, 1987

MEMORANDUM

TO : Acting Director, USAID/Bolivia, George A. Wachtenheim
FROM : RIG/A/T, *Coinage N. Gothard*
Coinage N. Gothard, Jr.
SUBJECT: Audit Report No. 1-511-87-22-N, "Audit of the Adequacy of Resources of Food for the Hungry International in Bolivia - Public Law 480, Title II"

This report presents the results of a non-Federal audit of the adequacy of resources of the Public Law 480, Title II Program in Bolivia operated by Food for the Hungry International (FHI). The certified public accounting firm of Horwath & Horwath in Bolivia prepared the report, which is dated May 7, 1987.

The purpose of this audit was to determine whether (1) the organization's funding resources were adequate to properly administer the program, (2) the organization's staffing levels, individual qualifications and compensation were adequate, and (3) the organization had sufficient and adequate warehouses, vehicles and equipment to properly administer the program. This review of resources was part of a broader audit of the PL480, Title II Program with FHI (Audit Report No. 1-511-87-18-N) and has been prepared as a separate report as requested by your Mission.

In the opinion of Horwath & Horwath FHI's resources were adequate to properly administer the program. However, there were deficiencies in that one Regional Office did not have sufficient funds to improve warehouse facilities, two Regional Offices were not providing adequate supervision, and one Regional Office lacked sufficient office equipment and its warehouse facilities needed improvements.

The Horwath & Horwath report contains one recommendation concerning the organization's office equipment. The report also refers to one recommendation concerning the organization's funding resources, two recommendations concerning the organization's staffing levels, and one recommendation concerning the organization's warehousing which are contained in the broader audit report referred to above. We believe that these recommendations will improve FHI's situation with respect to available resources. As a result, the following recommendation will be included in the Office of the Inspector General's audit recommendation follow-up system.

Recommendation No. 1

We recommend that USAID/Bolivia obtain evidence from Food for the Hungry International in Bolivia to demonstrate that it has implemented the recommendation to improve the situation with respect to available resources contained in the Horwath & Horwath report dated May 7, 1987.

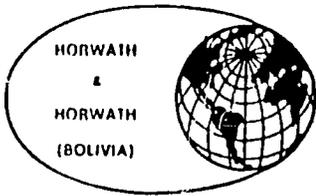
Please advise this office within 30 days of the actions planned or taken to implement this recommendation.

AUDIT OF THE PL 480 TITLE II
PROGRAM - BOLIVIA
FOOD FOR THE HUNGRY INTERNATIONAL

AUDIT OF THE PL 480 TITLE II PROGRAM - BOLIVIA
FOOD FOR THE HUNGRY INTERNATIONAL
REPORT ON ADEQUACY OF RESOURCES

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HORWATH & HORWATH (BOLIVIA) LTDA.

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LA PAZ -- BOLIVIA

Mr. Coinage N. Gothard
Regional Inspector General for Audit
U.S. Agency for International Development
Tegucigalpa, Honduras C.A.

Dear Mr. Gothard:

This report presents the results of our audit of the adequacy of resources of the PL 480, Title II Program-Bolivia managed by Food for the Hungry International (FHI) for the period October 1, 1985 to September 30, 1986.

BACKGROUND:

Food for the Hungry International (FHI) is a non-profit relief and development organization that has its international headquarters in Geneva, Switzerland and the main administrative office in Scottsdale, Arizona. FHI became involved in Bolivia in 1977 in small scale development operations. In September of 1983, FHI began working with USAID in response to the Emergency Situation caused by a prolonged drought.

FHI's involvement in distributing Title II commodities presently constitutes the largest part of its overall program.

FHI's general objective for the entire program in Bolivia is to assist peasants to improve their standard of living. In the PL 480, Title II Regular Program, FHI is directing its efforts to specific areas within the Departments of La Paz, Oruro and Potosi. In FHI's Title II Regular Program the following categories were planned:

1. Maternal/Child Centers
2. Food for Work Projects
3. Other Child Feeding Program
4. Individual Health Cases

The program description of the Operational Plan for Fiscal Year 1986 includes the following objectives:

1. Mother/Child Health Program (MCH)

The Facts are the following:

- The most reliable data on the nutritional status of the Bolivian child population indicates a high prevalence of chronic malnutrition in the country, 56% in the rural areas and 45% in the urban areas. The most affected region is the Altiplano area (La Paz, Oruro and Potosi).
- Morbidity and mortality rates in Bolivia are the highest in Latin America. According to one of the United Nations Reports, for every 1000 children, 169 will die.

Due to inadequate food production, low incomes, and financial conditions, the peasants are unable to adequately feed families.

FHI has developed a Mother-Child Program to reach certain population areas with high biological and socio-economic vulnerability through Mother Centers and Nutritional Centers.

In accordance with Food for the Hungry/Bolivia's overall development philosophy, FHI/Bolivia will design assistance for a maximum period of five years.

Objective of MCH Program:

- Goal: Raise the standard of living in rural areas and urban neighborhoods in La Paz, Oruro and Potosi.
- Purpose: Increase income and food production, and improve health conditions of families participating in the FHI/MCH program.

Economical contribution from the beneficiaries:

- In the Mothers Centers, each beneficiary will contribute a monthly amount per ration. Of these contributions 70% in La Paz and 60% in Oruro and Potosi will be used to generate funds for projects. 30% in La Paz and 40% in Oruro and Potosi will be used to pay administrative expenses and other costs.

2. Food for Work (FFW) Program.

The rural Altiplano of Bolivia has suffered from a devastating drought and floods during the past two years. These climatic changes have caused serious crop failures, deficient food reserves, unemployment and underemployment, destruction of public infrastructure and serious changes in soil conditions.

General Objectives:

FHI is working to integrate development in specific concentrated areas. Their goal is to develop a working relationship with a given community and together design a program that will reach the problem areas on multiple levels.

The program has 8 specific projects designed for this:

- Irrigation systems construction and operation,
- Construction of proper systems for flood prevention,
- Increase pasture lands producing animal forage (ie. alfalfa and rye grasses),
- Improve veterinary attention and feeding practices,
- Family and communal vegetable gardens construction and production,
- Increase and improve production of marketable animal furs,
- Communal Cooperatives to strength the marketing of local production, and
- To sign an agreement for technical assistance.

3. Other Child Feeding (OCF) Program

The state and private orphanages in Bolivia rely quite heavily upon outside assistance. For fiscal year 1986 CRS has dropped this program in Bolivia. However the need for food assistance still exists, therefore FHI began working with this program to help feed orphan children in these institutions.

4. Individual Health Cases (IHC) Program:

The object of this type of assistance is to be able to respond with food in cases where an individual, family or group is in a state of malnutrition or has a temporary crippling health problem and there is not yet an established relief program in the area.

NUMBER OF BENEFICIARIES BY PROGRAM AND QUANTITY OF FOOD PROGRAMMED TO BE DISTRIBUTED DURING FISCAL YEAR 1986

<u>1986 FY Program</u>	<u>Beneficiaries</u> <u>No.</u>	<u>Quantity</u> <u>(M. Tons)</u>
Mother/Child (MCH):		
La Paz	10,000	
Oruro	5,000	
Potosi	5,000	

	20,000	1,608

Food for Work (FFW):		
La Paz	17,000	
Oruro	10,000	
Potosi	10,000	

	37,000	3,596
	=====	
Other Child Feeding (OCF):		
La Paz	6,000	
Oruro	750	
Potosi	750	

	7,500	504
Individual Health Cases (IHC):		
La Paz	1,500	
Oruro	900	
Potosi	900	

	3,300	233

TOTAL:		
La Paz	34,500	
Oruro	16,650	
Potosi	16,650	

	67,800	5,941
	=====	=====

AUDIT OBJECTIVES AND SCOPE

The objective of our audit was to perform a financial and compliance audit of the PL 480, Title II Program for the period October 1, 1985 to September 30, 1986. Our main task was to determine if funds and/or commodities were being properly accounted for and used as directed by the agreements or other applicable program documents. Our examination included a study and evaluation of internal controls over commodities and compliance with AID regulations and the Food for Peace Agreement with Food for the Hungry International Bolivia. Our review also included a determination of the adequacy of resources of the PL 480, Title II Program - Bolivia managed by Food for the Hungry International.

The specific functional issues addressed in determining the adequacy of resources were whether:

1. The organization's funding resources were adequate to properly administer the program.
2. The organization's staffing levels, individual qualifications and compensation were adequate.
3. The organization had sufficient and adequate warehouses, vehicles, and equipment to properly administer the program.

Our examination was performed in accordance with generally accepted auditing standards and the U.S. Comptroller General's "Standards for Audit of Governmental Organizations, Programs, Activities, and Functions" (1981 Revision).

RESULTS OF AUDIT

Our study and evaluation revealed that, in our opinion, Food for the Hungry International's resources were adequate except for the following:

1. Insufficient Operational Funds

The FHI - Oruro Regional Office did not have sufficient funds to improve warehousing equipment.

2. Organization's Staffing

The FHI - Oruro and Potosi Regional Offices were not providing sufficient and adequate supervision and promotion of the program in the distribution centers due to insufficient personnel.

3. Organization's Warehousing and Equipment

At the Potosi Regional Office, there was a lack of office equipment and its warehouse facilities needed improvement.

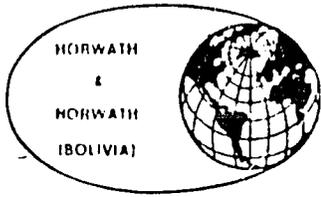
4. Management Comments

Relevant management comments by FHI are incorporated in this report.

May 7, 1987



HORWATH & HORWATH BOLIVIA



HORWATH & HORWATH (BOLIVIA) LTDA.

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LA PAZ -- BOLIVIA

AUDIT OF THE PL 480 TITLE II PROGRAM - BOLIVIA

FOOD FOR THE HUNGRY INTERNATIONAL

REPORT ON ADECUACY OR RESOURCES

AUDITOR'S OVERALL OPINION

We have examined the Commodity Statements of the PL 480, Title II Program - Bolivia managed by Food for the Hungry International for the Fiscal Year ended September 30, 1986. As a part of our examination, we made a study and evaluation of the accounting and administrative internal control system with an emphasis on the determination of the adequacy of resources. Our study and evaluation was performed in accordance with generally accepted auditing standards and the U.S. Comptroller General's "Standards for Audit of Governmental Organizations, Programs, Activities and Functions" (1981 Revision).

Our study and evaluation disclosed that , in our opinion, except for certain matters described in this report, Food for The Hungry International's resources were adequate to properly administer the program.

May 7, 1987

A handwritten signature in black ink, appearing to be "C. R. R.", is written over the printed name of the firm.

HORWATH & HORWATH BOLIVIA

ORGANIZATION'S FUNDING RESOURCES

See separate report on the PL 480, Title II Program managed by FHI - Report on Internal control System, Storage and Handling System, Recommendation No. 1.

ORGANIZATION'S STAFFING

See separate report on the PL 480, Title II Program managed by FHI - Report on Internal Control System, Supervision of Program, Recommendations Nos. 1 and 2.

ORGANIZATION'S WAREHOUSING AND EQUIPMENT

See separate report on the PL 480, Title II Program managed by FHI Report on Internal Control System, Storage and Handling System, Recommendation No. 2.

1. Inadequate Equipment Resources

Condition:

The FHI - Potosi Regional Office did not have the necessary office equipment, such as calculators, typewriters and other equipment.

Criteria:

The National Office of FHI - Bolivia must provide the Potosi Regional Office with the necessary equipment to be able to function efficiently.

Cause:

There was a lack of adequate administered support by the National Office.

Effect:

The program was improperly administered partially due to insufficient and inadequate equipment.

Recommendation:

USAID/Bolivia should require the National Office of FHI to provide the Potosi Regional Office with all the office equipment necessary to improve the administration of the program.

REPORT DISTRIBUTION

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